

Message Text

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ACTION COA-01

INFO OCT-01 EA-06 ISO-00 SP-02 AID-05 EB-04 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-20 STR-01 OMB-01 CEA-01 L-01 H-01

CIAE-00 DODE-00 INR-05 NSAE-00 PA-01 USIA-06 PRS-01

HEW-02 NSCE-00 AGR-05 DRC-01 /072 W

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P R 120420Z OCT 74

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC PRIORITY 2518

INFO USLO PEKING

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E.O. 11652: N/A

TAGS: ETRD, EEWT, CH, US

SUBJECT: OVERCOMING PRC FROZEN SHRIMP REJECTION PROBLEM

REF: (A) STATE 150964, (B) HONG KONG 107746, (C) HONG KONG 11249

1. SUMMARY. UNLESS WAY CAN BE FOUND TO OVERCOME SUBJECT PROBLEM, PRC WILL LOSE ONE OF ITS FEW GOOD EXPORT POTENTIALS TO THE US AND THEIR UNFAVORABLE TRADE BALANCE WITH THE US WILL BECOME EVEN MORE LOPSIDED. A SUGGESTED APPROACH FOR RECTIFYING THIS PROBLEM IS OUTLINED HEREIN. END SUMMARY.

2. PROBLEM: BASED ON PAST FDA REJECTIONS PER REFTELS, NO US INSURANCE COMPANIES WILL NOW ISSUE INSURANCE COVERING FURTHER IMPORTS OF FROZEN SHRIMP FROM THE PRC. CHINA'S OWN INSURANCE AGENCY WILL NOT PROVIDE INSURANCE SINCE IT DOES NOT HAVE ITS OWN CHECK OR OBSERVATION POTENTIAL OVER THE FDA INSPECTION OR REJECTION PROCESS IN THE US. FINALLY, US IMPORTERS WILL NOT RISK CONTRACTING FOR FURTHER FROZEN SHRIMP IMPORTS FROM PRC WITHOUT INSURANCE COVERAGE.

3. SUGGESTED RESOLUTION OF PROBLEM: BOTH SIDES HAVE AN
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INTEREST IN RESOLVING THIS PROBLEM AND IT BEHOOVES US TO

TAKE SOME INITIATIVES. ACCORDINGLY, WE SUGGEST THE FOLLOWING PROPOSITION TO BE MADE TO APPROPRIATE PRC OFFICIALS - PROBABLY AT THE CANTON FAIR BY BERGER ACCOMPANIED BY USLO OFFICER:

(A) IF PRC WILL AGREE TO IMPROVE THEIR SELECTION AND FREEZING PROCESSES TO ASSURE COMPLIANCE WITH FDA STANDARDS, A MAJOR IMPORTER LIKE BERGER, WITH USG SUPPORT WILL REQUEST US INSURANCE COMPANY TO RESUME INSURANCE COVERAGE - AT LEAST FOR A SMALL TRIAL SHIPMENT - ON BASIS OF PRC OFFICIAL ASSURANCES.

(B) JUST AS THE US SIDE UNDERTOOK IN THE TCK WHEAT PROBLEM, WE WOULD EXPECT THAT A PRC TESTING AGENCY - NOT RELATED TO THE SHRIMP SELECTION AND FREEZING PROCESSING ENTITIES - WOULD INDEPENDENTLY SAMPLE TEST THE NEW HIGHER QUALITY SHIPMENTS FOR COMPLIANCE WITH FDA STANDARDS.

(C) EVEN IF A US INSURANCE COMPANY IS UNWILLING TO START RESUMING INSURANCE COVERAGE ON BASIS OF PRC ORAL ASSURANCES ALONE, WITH USG ENCOURAGEMENT, THEY SHOULD BE LESS RELUCTANT TO WITHHOLD INSURANCE ONCE A NEW TRIAL SHIPMENT PROVES ACCEPTABLE TO FDA. THUS, USG SHOULD ENCOURAGE IMPORTER LIKE MR. BERGER TO RISK A SMALL TRIAL SHIPMENT ON HIS OWN ACCOUNT WITHOUT INSURANCE JUST TO DEMONSTRATE TO THE INSURANCE COMPANIES THE NEW HIGHER QUALITY OF PRC STANDARDS.

(D) WE TRUST THAT THE PRC WILL NOT ENCOUNTER ANY TECHNICAL FEASIBILITY PROBLEMS IN ACHIEVING BETTER QUALITY FREEZING UNDER STEP (A) AND/OR IN THE TEST SAMPLE PROCESS UNDER STEP (B). HOWEVER, IF SO, PERHAPS USG COULD BE PREPARED TO OFFER SOME TECHNICAL ADVICE FROM FDA OR BERGER TO OVERCOME ANY SUCH TECHNICAL OBSTACLES. ALSO, IF NEED BE, PERHAPS SOME FORM OF INCENTIVES COULD BE FOUND - POSSIBLY FROM THE PRC SIDE - FOR THE BUYER TO ASSUME THE FULL RISK ON THE INITIAL SMALL TRIAL SHIPMENT. THE ONLY OTHER HITCH WE CAN ANTICIPATE WOULD BE IF THE PRC CAN LIMITED OFFICIAL USE

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READILY SELL ALL THEIR FROZEN SHRIMP TO JAPAN OR ELSEWHERE WITHOUT BOTHERING WITH HIGHER AS IMPORT

STANDARDS. IF SO, AT LEAST OUR REMEDIAL INITIATIVES WILL DEMONSTRATE OUR GOOD WILL IN IMPROVING THE PRC'S

EXPORTS AND THUS THEIR TRADE BALANCE WITH THE US.

4. JUST AS THE PRC HAS ACCEPTED OUR ASSURANCE OF BETTER SELECTION AND INSPECTION PROCESSING IN THE CASE OF THE TCK WHEAT PROBLEM, SO WE SHOULD BE READY TO ACT ON PRC ASSURANCES OF BETTER SELECTION AND INSPECTION PROCESSES IN THE CASE OF FROZEN SHRIMP. THUS, THIS CALLS FOR THE USG PLAYING A SUPPORTING AND ENCOURAGEMENT ROLE WITH IMPORTERS AND INSURANCE COMPANIES AS WELL AS TAKING THE INITIATIVE ON THIS PROBLEM WITH THE PRC.

5. IF DEPARTMENT AGREES, PERHAPS FOREMENTIONED PLAN COULD BE DISCUSSED WITH BERGER BEFORE HE DEPARTS FOR CANTON

FAIR PER REFTEL(C).
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SHELLFISH, IMPORTS, FOOD INSPECTION, INSURANCE
Control Number: n/a
Copy: SINGLE
Draft Date: 12 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: shawdg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974HONGK11256
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740291-1027
From: HONG KONG
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741049/aaaabpzt.tel
Line Count: 133
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION COA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: (A) STATE 150964, (B) HONG KONG 1077, 46, (C) HONG KONG 11249
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 23 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 JUL 2002 by shawdg>; APPROVED <18 MAR 2003 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OVERCOMING PRC FROZEN SHRIMP REJECTION PROBLEM
TAGS: ETRD, EEWT, CH, US, FDA
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005